

STATE OF NEVADA
GAMING CONTROL BOARD
INTERNAL CONTROL PROCEDURES

PARI-MUTUEL

Note 1: The term “SAM” as used in these standards refers to a “self activated machine” that is used for placing wagers and includes betting kiosks.

Note 2: The term “voucher” as used in these standards refers to a printed wagering instrument that has a fixed dollar wagering value that is redeemable for cash or cash equivalents.

Note 3 A pari-mutuel book must also comply with the Race and Sports Book Minimum Internal Control Standards when not in conflict with, and if applicable to, the pari-mutuel operation.

Betting Ticket and Equipment Procedures

1. All pari-mutuel wagers must be transacted through the pari-mutuel system. In case of computer failure between the pari-mutuel book and the hub, no tickets may be manually written.
2. Whenever a betting station is opened for wagering or turned over to a new writer/cashier, the writer/cashier signs on and the computer documents casino name, station number, the writer/cashier identifier, and the date and time.
3. Nonpari-mutuel wagers are prohibited at “pari-mutuel only” books.
4. Upon accepting a wager, a betting ticket is created in duplicate as follows:
 - a. An original which is transacted and issued through a printer and given to the patron.

Note: If a wager is placed using communications technology an original betting ticket does not need to be created. Regulation 22.140(9) requires that all wagering communications shall be electronically recorded (separate from the computerized race and sports system) and retained for a period of 60 days.

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- b. A restricted copy which is recorded concurrently with the generation of the original ticket and is not accessible to race and sports book employees.
- 5. Upon accepting a wager, the betting ticket which is created contains the following:
 - a. An alphanumeric ticket number.
 - b. Casino name and station number.
 - c. Racetrack, race number, horse identification or event identification, as applicable.
 - d. Type of bet(s), each bet amount, total number of bets, and total take.
 - e. Date and time.
- 6. If a book voids a betting ticket then:
 - a. A void designation is immediately branded by the computer on the ticket. Alternatively, a ticket can be voided manually in the computer system by inputting the ticket sequence number and immediately writing/stamping a void designation on the original ticket.
 - b. Computer and not-in-computer voids are signed by the writer/cashier and the supervisor at the time of the void.
 - c. Not-in-computer voids are either prohibited or, if not-in-computer voids are permitted, no adjustment to gross revenue may be made.
- 7. Future wagers are accepted and processed in the same manner as regular wagers.

Payout Procedures

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8. Prior to making payment on a ticket/voucher or crediting the winnings to the patron's account:

 - a. The cashier inputs the ticket/voucher sequence number into the cashier's terminal; or
 - b. For account wagers the computer system automatically updates the patron's account when the event results are posted.
9. The system brands the ticket/voucher with a paid designation, the amount of payment and date, or if a writer/cashier manually inputs the ticket/voucher sequence number into the computer, the writer/cashier immediately writes/stamps the date and a paid designation on the patron's ticket/voucher.
10. The computer is incapable of authorizing payment on a ticket/voucher which has been previously paid, a voided ticket/voucher, a losing ticket, or an unissued ticket/voucher.
11. In case of computer failure, tickets may be paid. In those instances where system failure has occurred and tickets are manually paid, a log will be maintained which includes:

 - a. Date and time of system failure.
 - b. Reason for failure.
 - c. Date and time system is restored.
12. All manually paid tickets are entered into the computer system as soon as possible to verify the accuracy of the payout (this does not apply to purged, unpaid winning tickets). All manually paid tickets must be regraded as part of the end-of-day audit process should the computer system be inoperative.
13. Supervisory approval is required to access a patron's account when patron wagering, deposit or withdrawal activity has not occurred within the account for more than 180 days.

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Checkout Procedures

- 14. Whenever the betting station is closed or the writer/cashier is replaced, the writer/cashier signs off and the computer documents the casino name, station number, the writer/cashier identifier, the date and time, and cash balance.**
- 15. For each writer/cashier station a summary report is completed at the conclusion of each shift including:**
 - a. Computation of cash turned in for the shift, and any variances between the cash turn-in and the amount that the system indicates should be in each station.**
 - b. Signatures of two employees who have verified the cash turned in for the shift.**

Employee Wagering

- 16. Pari-mutuel book employees are prohibited from wagering on pari-mutuel events while on duty. While not on duty pari-mutuel book employees can place wagers from the customer area in the race and sports book.**

Computer Reports

Note: Documentation equivalent to the following must be prepared for satellite books on a “per book” basis. Wagers placed using communications technology can be included in the documentation of the central site book that accepted and recorded the patron’s wager.

- 17. Adequate documentation of all pertinent pari-mutuel information is generated by the computer system.**
- 18. This documentation is restricted to authorized personnel.**
- 19. The documentation is created daily and includes, at a minimum:**

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- a. Ticket/voucher number.
 - b. Date/time of transaction.
 - c. Type of wager.
 - d. Horse identification or event identification.
 - e. Amount of wagers (by ticket, writer/SAM, track/event, and total).
 - f. Amount of payouts (by ticket, writer/SAM, track/event, and total).
 - g. Tickets refunded (by ticket, writer, track/event, and total).
 - h. Unpaid winners/vouchers (“outs”) (by ticket/voucher, track/event, and total).
 - i. Voucher sales/payments (by ticket, writer/SAM, and track/event).
 - j. Voids (by ticket, writer, and total).
 - k. Future wagers (by ticket, date of event, total by day, and total at the time of revenue recognition).
 - l. Results (winners and payout data).
 - m. Breakage data (by race and track/event).
 - n. Commission data (by race and track/event).
 - o. Purged data (by ticket and total).
 - p. Wagering account activity (summary of each account’s activity by transaction type and account balance).
20. The system generates the following reports:

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- a. A daily reconciliation report that summarizes totals by track/event, including write, today's winning ticket total, total commission and breakage due the licensee, and net funds transferred to or from the licensee's bank account.
- b. An exception report that contains a listing of all system functions and overrides not involved in the actual writing or cashing of tickets, including sign-on/offs, voids, and manually input paid tickets.
- c. A purged ticket report that contains a listing of ticket numbers, description, ticket cost and value, and date purged.

Accounting/Audit Procedures

21. The pari-mutuel audit is conducted by someone independent of the race, sports, and pari-mutuel operations.

Note: Such personnel may also perform the audit function for the outstation book of affiliated properties (and vice versa).

22. Documentation (e.g., log, checklist, notation on reports, and tapes attached to original documents) is maintained evidencing the performance of pari-mutuel audit procedures, the exceptions noted and follow-up of all pari-mutuel audit exceptions.

23. An accounting/audit employee examines the daily reconciliation report, compares it to the revenue summary produced by the system, and recalculates the net amount due to or from the systems operator. An accounting/audit employee reconciles transfers with the bank statements on a monthly basis.

24. Accounting/audit personnel verify daily cash turn-in by comparing actual cash turned in to cash turn-in per pari-mutuel reports.

Note: Beginning balance, (+) fills (draws), (+) net write (sold less voids), (-) payouts (net of IRS withholding), (-) moneybacks (pays), (=) cash turn-in.

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- 25. For one race/event per day, accounting/audit personnel verify commissions per the daily reconciliation report by recalculating race/event commissions.**
- 26. For the track associated with the race/event selected above, accounting/audit personnel will verify daily transfers due to/from the systems operator by recalculating the deposits.**
- Note: Net sales, (+) negative breakage, (-) commissions, (-) positive breakage, (-) accrual pays, (=) deposit.**
- 27. Accounting/audit personnel produce a gross revenue recap report to calculate gross revenue on a daily and month-to-date basis, including the following totals:**
- a. Commission.**
 - b. Positive breakage.**
 - c. Negative breakage.**
 - d. Track/event fees.**
 - e. Track/event fee rebates.**
 - f. Purged tickets.**
- 28. Accounting/audit personnel trace the track/event fees and track/event fee rebates to the invoices received from the systems operator.**
- 29. At least weekly:**
- a. All winning tickets, vouchers, and cash are removed from the SAM by at least two employees.**
 - b. SAM winning tickets and vouchers are ultimately delivered to the accounting department. Cash is immediately delivered to an appropriate area of accountability.**

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- c. Winning tickets and vouchers deposited in each SAM are reconciled to the totals of SAM activity produced by the system. All variances are investigated, investigation results documented and maintained.
 - d. The actual cash turn in from each SAM is reconciled to the amount reported by the system. All variances are investigated, investigation results documented and maintained.
- 30. Accounting/audit personnel perform the following procedures for each day, unless indicated otherwise:
 - a. Review all exceptions for propriety of transactions and unusual occurrences.
 - b. Review all voids for propriety.
 - c. For one day per week, verify the results as produced by the system to the results provided by the wire service.
 - d. For one day per week, regrade 1% of paid (cashed) tickets to ensure accuracy and propriety.
 - e. When applicable, reconcile the daily totals of future tickets written to the totals produced by the system for both unearned and earned take, and review the reports to ascertain that future wagers are properly included on the day of the event.
 - f. For one day per week, review all wagers to determine whether any prohibited, nonpari-mutuel wagers were accepted.

Note: This audit procedure applies to “pari-mutuel only” books.
- 31. Monthly, accounting/audit personnel reconcile gross revenue from the accounting records to the monthly NGC tax return. This reconciliation is documented and maintained. All variances are reviewed, documented, and maintained.

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32. Quarterly, an inventory of all sensitive pari-mutuel keys is performed and reconciled to records of keys made, issued, and destroyed. Investigations are performed for all keys not accounted for, with the investigations being documented.
33. Annually, for one day, accounting/audit personnel will perform the following:
- a. Foot the wagers and trace to the total produced by the system.
 - b. Foot the customer copy of paid tickets and trace to the total produced by the system.
 - c. Foot cashed vouchers and trace to the total produced by the system.
34. At least one day per quarter, accounting/audit personnel will recalculate and verify the change in the unpaid winners balance to the total purged tickets.

Credit Accounts

35. Pari-mutuel credit procedures must comply with the requirements of the Cage and Credit Internal Control Procedures. If credit adjustments are listed on the NGC tax returns, the requirements of Regulation 6.120 must also be met.